

AMENDED IN SENATE JUNE 19, 2002
AMENDED IN ASSEMBLY APRIL 18, 2002
AMENDED IN ASSEMBLY APRIL 2, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 2718

**Introduced by Assembly Member Oropeza
(Coauthors: Assembly Members Calderon and Pescetti)**

February 22, 2002

An act to amend Section 379.5 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2718, as amended, Oropeza. Oil producers.

Existing law requires the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources.

This bill would delete the March 7, 2001, deadline and would provide that differential incentives for renewable or super clean distributed generation resources include fuel cells and microturbines operating on renewable energy.

The bill would also provide that fuel cells and microturbines operating on flared or otherwise wasted gas, as defined, are also eligible for incentives under the level + 3 incentive category established by the

commission in an amount equal to \$2.50 per watt and must secure an interconnection agreement to operate solely on the waste gas stream.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 379.5 of the Public Utilities Code is
2 amended to read:

3 379.5. Notwithstanding any other provision of law, the
4 commission, in consultation with the Independent System
5 Operator, shall take all of the following actions, and shall include
6 the reasonable costs involved in taking those actions in the
7 distribution revenue requirements of utilities regulated by the
8 commission, as appropriate:

9 (a) (1) Identify and undertake those actions necessary to
10 reduce or remove constraints on the state's existing electrical
11 transmission and distribution system, including, but not limited to,
12 reconductoring of transmission lines, the addition of capacitors to
13 increase voltage, the reinforcement of existing transmission
14 capacity, and the installation of new transformer banks. The
15 commission shall, in consultation with the Independent System
16 Operator, give first priority to those geographical regions where
17 congestion reduces or impedes electrical transmission and supply.

18 (2) Consistent with the existing statutory authority of the
19 commission, afford electrical corporations a reasonable
20 opportunity to fully recover costs it determines are reasonable and
21 prudent to plan, finance, construct, operate, and maintain any
22 facilities under its jurisdiction required by this section.

23 (b) In consultation with the State Energy Resources
24 Conservation and Development Commission, adopt energy
25 conservation demand-side management and other initiatives in
26 order to reduce demand for electricity and reduce load during peak
27 demand periods. Those initiatives shall include, but not be limited
28 to, all of the following:

29 (1) Expansion and acceleration of residential and commercial
30 weatherization programs.

31 (2) Expansion and acceleration of programs to inspect and
32 improve the operating efficiency of heating, ventilation, and
33 air-conditioning equipment in new and existing buildings, to

1 ensure that these systems achieve the maximum feasible
2 cost-effective energy efficiency.

3 (3) Expansion and acceleration of programs to improve energy
4 efficiency in new buildings, in order to achieve the maximum
5 feasible reductions in uneconomic energy and peak electricity
6 consumption.

7 (4) Incentives to equip commercial buildings with the capacity
8 to automatically shut down or dim nonessential lighting and
9 incrementally raise thermostats during a peak electricity demand
10 period.

11 (5) Evaluation of installing local infrastructure to link
12 temperature setback thermostats to real-time price signals.

13 (6) Incentives for load control and distributed generation to be
14 paid for enhancing reliability.

15 (7) Differential incentives for renewable or super clean
16 distributed generation resources. “Super clean distributed
17 generation resources” ~~shall include, but not be~~ *includes, but is not*
18 limited to, fuel cells and microturbines operating on renewable
19 energy . Fuel cells and microturbines operating on flared or
20 otherwise wasted gas shall also be eligible for incentives under the
21 level 4 3 incentive category as established by the commission in
22 Decision 01-03-073, dated March 27, 2001, *in an amount equal*
23 *to two dollars and fifty cents (\$2.50) per watt. Fuel cells and*
24 *microturbines eligible for incentives under this paragraph shall be*
25 *exempt from the requirements of Section 218.5. “Wasted gas”*
26 *includes gases generated as a byproduct of petroleum production*
27 *operations that would otherwise be stranded or not utilized due to*
28 *the unavailability of an acceptable disposal method, or gas not*
29 *utilized due to other constraints. Fuel cells and microturbines*
30 *utilizing flared or wasted gas shall secure an interconnection*
31 *agreement that specifies that the fuel cells and microturbines shall*
32 *be operated solely on the waste gas stream and not on gas that*
33 *would otherwise be eligible for delivery to the utility pipeline*
34 *system.*

35 (8) Reevaluation of all efficiency cost-effectiveness tests in
36 light of increases in wholesale electricity costs and of natural gas
37 costs to explicitly include the system value of reduced load on
38 reducing market-clearing prices and volatility.

39 (c) In consultation with the Energy Resources Conservation
40 and Development Commission, adopt and implement a

- 1 residential, commercial, and industrial peak reduction program
- 2 that encourages electric customers to reduce electricity
- 3 consumption during peak power periods.

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